

SBCAG STAFF REPORT

SUBJECT: Measure A Collected Revenues and FY 2022/23 Revenue Estimates

MEETING DATE: November 18, 2021 **AGENDA ITEM:** 5

STAFF CONTACT: Sarkes Khachek and Jacky Mata

RECOMMENDATION:
 A. Receive an update on collected Measure A revenues through June 2021.
 B. Review and comment on draft Measure A revenue estimates for Fiscal Years 2022/23 to 2026/27.

DISCUSSION:
 SBCAG is the Local Transportation Authority for Santa Barbara County and is responsible for administering the voter approved Measure A program. SBCAG staff consistently monitors collection of receipts for the Measure A program. As receipts are collected from our region, the State of California then informs us of receipts monthly. These figures are then shared with our local member agencies. SBCAG also utilizes a revenue monitoring firm, HdL, that provides SBCAG staff with information on trends in the economy and potential impacts to our sales tax measure. Several local jurisdictions also utilize HdL for monitoring of revenues.

Monitoring of actual receipts has been especially important as we are still in a pandemic. Similar to other agencies, once the shelter in place orders were enacted with the COVID-19 pandemic, we noticed a sharp decline in revenues. Fortunately, Measure A revenues have experienced very positive increases not just since the shelter in place orders were implemented but even compared to prior to the pandemic. The following is a summary of Measure A revenues since 2018/19 providing the Board and the public with an update on Measure A revenues:

Overview of Collected Revenues Since 2018/19

June Receipts and Comparisons

- For June 2021, we collected \$4.82 million for Measure A.
- Compared to June 2020, this is a 48.9% increase.
- Compared to June 2019 (pre-pandemic), this is a 50% increase.
- So even without the pandemic low of June 2020, we still experienced a major increase compared to June 2019.

June 2019 - Pre-Pandemic	June 2020	June 2021	Percent Difference from June 2019 to June 2021	Percent Difference from June 2020 to June 2021
\$3,210,168	\$3,234,085	\$4,817,960	50%	49%

Fourth Quarter Receipts and Comparisons

- For the quarter April 1 to June 30, 2021 (Fourth quarter), we collected \$13.2 million.
- Compared to the same quarter in 2020, this is a 32.6% increase.
- Compared to the same quarter in 2019 (pre-pandemic), this is a 26.2% increase.
- With context, we still did well compared to pre-pandemic levels.

Quarter 4 - FY 2018/19 - Pre-Pandemic	Quarter 4 - FY 2019/20 – Shelter In Place Order	Quarter 4 - FY 2020/21	Percent Difference from Quarter 4 18/19 to Quarter 4 20/21	Percent increase from Quarter 4 19/20 to Quarter 4 20/21
\$10,439,707	\$9,939,225	\$13,175,871	26%	33%

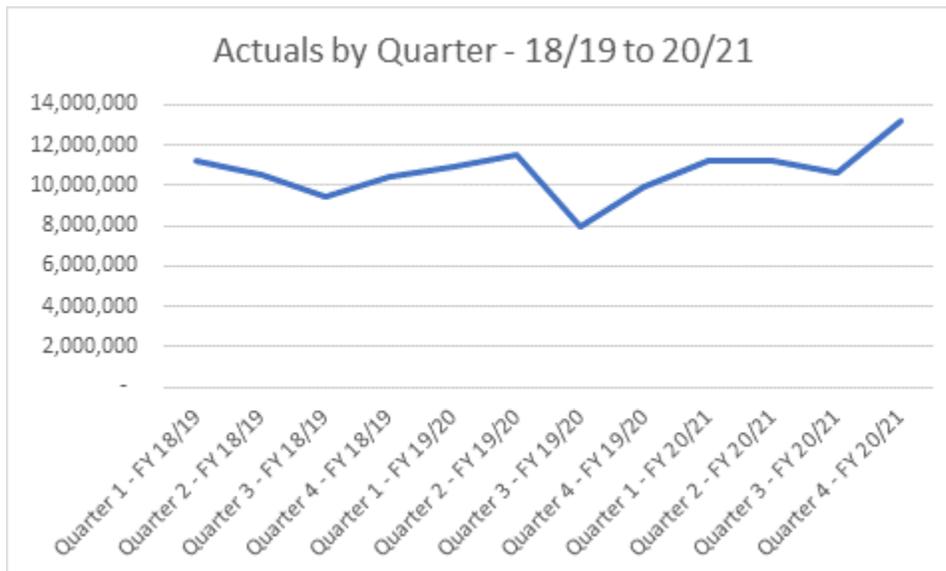
Fiscal Year Receipts and Comparisons

- For the Fiscal Year 20/21, we collected \$46.3 million.
- Compared to FY 19/20, this is a 14.6% increase.
- Compared to FY 18/19, this is a 10.8% increase.
- Similar to the June comparison above, even pre-pandemic, we experienced a major increase from FY 20/21 compared to FY 18/19.

Fiscal Year 2018/19 - Pre-Pandemic	Fiscal Year 2019/20	Fiscal Year 2020/21	Percent Difference from FY 18/19 to FY 20/21	Percent Difference from FY 19/20 to FY 20/21
\$41,741,843	\$40,372,225	\$46,257,033	11%	15%

Chart for the last three fiscal years

This chart below shows our actual revenues by quarter for the last three fiscal years. You can see the dramatic increase since the start of the pandemic, but Measure A has even seen increases compared to pre-pandemic.



Why is this happening?

- A lot of this is attributed to the Supreme Court's 2018 Wayfair decision (collection of tax on online sales) and the increase in online purchases.
- Since Measure A is a "District Tax" it is distributed on a destination basis (where the consumer lives) versus other taxes which are distributed through County/City pooled transactions.
- While the local Bradley-Burns local 1% portion of sales tax revenue collected on behalf of cities and counties throughout the State of California is allocated back to the jurisdiction where sales were negotiated, or orders were taken, a district tax such as SBCAG's Measure A, is allocated differently.
- Instead, this tax revenue is applied to the district where the goods are delivered or placed into use. This is a crucial distinction in today's changing economy that is increasingly shifting to online shopping and fulfillment, rather than the traditional brick-and-mortar retail sales model.
- Under the law, the Bradley-Burns 1% revenue on online sales shipped from California fulfillment centers normally goes to the jurisdictions from where the inventory was housed at the time the order was made. Therefore, the local Bradley-Burns 1% sales tax revenue from online sales may often be concentrated in jurisdictions housing large fulfillment center operations. These jurisdictions may also utilize sales tax participation agreements as an incentive to develop additional warehousing operations or to establish order desks within the area to further increase this tax revenue.
- For a District Tax such as Measure A, however, the tax is applied to any such shipment into Santa Barbara County, even when originating from warehouses in other California cities.
- Therefore, Measure A revenue is projected to grow more rapidly than the local agency 1% sales tax receipts for the many agencies throughout the State that do not have large-scale online fulfillment operations.
- Additionally, the Measure A tax is also applied to online fulfillment orders into Santa Barbara County from locations outside California. For the Bradley-Burns 1% local portion of the sales tax, however, tax revenue derived from internet orders shipped from out-of-state is normally collected in the individual countywide use-tax pools and then distributed to local agencies within each County in a way that can often dilute that tax revenue.
- This is not the case for Measure A revenue, however, as the tax revenue goes directly to SBCAG for online orders originating from out of state and delivered into the county.

Draft Revenue Estimates for Fiscal Years 2022/23 to 2026/27



As the Local Transportation Authority, SBCAG is responsible for allocating Measure A transportation sales tax revenues according to the voter-approved ordinance and investment plan. SBCAG staff prepares five-year revenue estimates that are used annually by SBCAG and local agencies to develop the Measure A Program of Projects (POP). SBCAG staff has developed the revenue estimates for Fiscal Years 2022/23 to 2026/27 for review and comment with the estimates provided by SBCAG's revenue analysis consultant, HdL.

The attached tables (**Attachment D**) provide projected revenues for FY 2022/23 of \$51,040,133 and represent a 3.2% increase from FY 2021/22 projected revenues. At the November 4 TTAC meeting, SBCAG provided an overview of actual receipts collected for Measure A for the past few fiscal years and the factors that have led to recent increases in collected revenues.

Table 1 – Five-Year Measure A Revenue Estimate

The overall Measure A program revenue estimate for the five-year period is presented in Table 1. The revenue projection for FY 22/23 was developed with the assistance of SBCAG's revenue analysis consultant, HdL. The projection for FY 22/23 is 3.2% higher compared to FY 21/22.

The 5-year revenue projections being presented take into consideration the following factors:

- **FY 20/21** - Tax proceeds increased 15% on a cash basis compared to the previous year, which had been adversely impacted by the Covid-19 pandemic and the Shelter-In-Place directive issued by Governor Newsom at the beginning of the crisis. Once effective vaccines became widely available in the Spring of 2021, consumers felt safer to resume their lives with greater normality. Many restaurants subsequently reopened for indoor dining in June of 2020, consumers returned in mass to retail locations for back to school and other shopping, and a slow return to normality began.
- **FY 21/22** - Sustained sales tax growth is anticipated through the end of the 2021 calendar year beyond the initial rebound enjoyed in FY 20/21. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experience, an increase in vehicle miles driven coupled with more costly fuel, and labor shortages, are driving prices higher and are anticipated to consume more disposable income and tighten growth by the start of 2022.
- **FY 22/23** - A deceleration toward trend levels of growth and inflation is expected as the Federal Reserve tightens interest rates and as supply chain problems resolve.
- **FY 23/24 and the years beyond that represent a return to normal**, though at a somewhat higher inflationary level than what had been experienced in the previous decade. Growth in taxable sales will be hampered to some degree as consumers allocate more of their disposable income to travel and other experiences, much of which is not taxable under California state sales tax law, as well as by the high cost of housing in California.

Table 1 also shows annual deductions for CDTFA administration costs, which are a maximum 1.15%. In addition, the table includes a deduction of gross revenues of 1.0% for SBCAG administrative costs.

As discussed by TTAC as part of the Measure A Strategic Plan, SBCAG plans to move forward with a TIFIA loan now that construction of the U.S. 101 HOV project has begun. This will be required to continue annual apportionments of Local Street & Transportation Improvement and transit funding while constructing segment(s) of the HOV project. Debt service estimates have been incorporated into Table 1 which assumes a TIFIA loan of \$70 million beginning in FY 21/22 and drawn down through FY 23/24. The borrowing amount and debt service estimates are the most conservative approach at this time with the possibility of being revised slightly downward.

This table also includes deductions off the top for consultant assistance and for ongoing consultation with the financial advisor. Finally, the table assumes that there will be interest earned on the measure fund balance that will be allocated along with the sales tax revenues.

Table 2A – North County and South Coast Annual Allocations

Table 2A lists the allocations to be made annually over the five-year period to programs in the North County and South Coast sub-programs. The investment plan specifies that the North County and South Coast programs each receive 43.3% of the total measure revenues over 30 years. But the amount of funding that projects or programs within the sub-programs are to receive are reflected in the investment plan as estimated revenues (in \$) over 30 years, not as a percentage. So, dollar amounts have been used to derive a percentage of the sub-program revenue that each will receive annually. The percentages reflected are the same as those from last year.

Table 2B – Highway 101 HOV Widening & Other Named Projects

The estimated revenues available for the South Coast Highway 101 HOV project and other “named” projects are reflected in Table 2B. The estimate is derived by deducting the North County and South Coast annual allocation total from the net revenues available for allocation in Table 1.

Table 3 – Local Street & Transportation Improvement Revenues

Table 3 derives the estimated North County and South Coast Local Street and Transportation Improvement revenues by jurisdiction within sub-regions using the LSTI estimate from Table 2A and population estimates from January 2021. The North County and South Coast unincorporated population split is based on the 2010 census. The investment plan specifies that on the South Coast, each local agency will provide SBMTD with a percentage of their gross LTSTI allocation to be used for transit operations. These estimates are reflected in Table 3. The funds will be distributed directly to SBMTD per the investment plan. The table also reflects the minimum percentage of LTSTI funding and the corresponding dollar amount that each local agency must expend on alternative transportation by the end of the five-year period as required by the Investment Plan.

Table 4 – Specialized Transit for Elderly & Disabled

Table 4 reflects the estimated revenues for Easy Lift, the sole specialized transit service provider on the South Coast, and a revenue estimate for the North County based on population and paratransit ridership. Per the investment plan, transit operators and Consolidated Transportation Service Agencies are eligible recipients of this funding, which is intended to reduce fares charged to the elderly and disabled by funding operating expenses of specialized services. Half of the annual North County Specialized Transit funding is allocated based on population, with a \$5,000 base allocation to Guadalupe and SMOOTH, and the other half is allocated based on specialized transit ridership figures. Table 4 reflects population figures from the Department of Finance for January 2021 and specialized transit ridership figures from FY 19/20. Ridership figures are based on Fiscal Year 19/20 Specialized Transit figures provided by Transit Operators. These figures will be updated to reflect FY 20/21 data once the final Program of Projects is adopted in 2022.

Table 5 – Local & Authority Program of Projects

This table is a summary of revenue estimates reflected in Tables 1-4, organized by the two Programs of Projects, a Local program, and an Authority program, that the ordinance requires be annually adopted by SBCAG. It includes a column showing which agencies are responsible for preparing the various components of the two POPs.

Program of Projects Submittal Form

SBCAG and local agency recipients of Measure A funds are required to annually adopt programs of projects showing how Measure A funds will be spent over the five-year period. The current Local Program of Projects Submittal form is included as **Attachment C**. It is based on Appendix B1 (Local Street and Transportation Improvements Funding Eligible Uses) and Appendix B2 (eligible Local Street and Transportation Improvements Funding Alternative Transportation Expenditures) of the Measure A Investment Plan.

The submittal form also includes a designated area for agencies to identify how they are meeting their prescribed alternative transportation expenditure percentages. These percentages for local alternative expenditures need to be met by the end of the third quinquennium of the program (FY 24/25). One column is to be used exclusively by the County to identify expenditures on Class 2 bikeway maintenance that may be counted towards its alternative transportation percentage. The County may count 50% of such expenditures towards its percentages, but these expenditures may not exceed 50% of the prescribed percentage in the five-year period.

Schedule

A summary schedule of the Measure A POP process is attached to this report (**Attachment B**). The local Programs of Projects will be due to SBCAG by **February 28, 2022**. SBCAG staff will then develop the Program of Projects for review in April and adoption in May.

Committee Review

The Technical Transportation Advisory Committee reviewed the draft revenue estimates on November 4 and no comments were received.

The recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378 of the CEQA Guidelines.

ATTACHMENTS:

- A – Measure D and Measure A Revenues, 2005/06 to 2022/23
- B – Measure A Program of Projects Development Schedule
- C – Measure A Local Program of Projects Submittal Form
- D – Includes:
 - Table 1 – Five-Year Revenue Estimate
 - Table 2 – North County and South Coast Annual Allocations
 - Table 3 – Five-Year Revenue Estimate: Local Street & Transportation Improvement and South Coast Transit Operations
 - Table 4 – Five-Year Revenue Estimate: Specialized Transit for Elderly & Disabled
 - Table 5 – Five-Year Revenue Estimate: Local & Authority Program of Projects (web posting only)

Attachment A

Measure D and Measure A Revenues Fiscal Years 2005/06 to 2022/23

Program	Fiscal Year	Revenues	Growth Rate
Measure D	2005-06	\$31,009,268	
	2006-07	\$32,760,075	5.6%
	2007-08	\$32,573,516	-0.6%
	2008-09	\$29,769,950	-8.6%
	2009-10	\$27,047,320	-9.1%
Measure A	2010-11	\$29,175,863	7.9%
	2011-12	\$32,084,170	10.0%
	2012-13	\$33,020,369	2.9%
	2013-14	\$34,817,454	5.4%
	2014-15	\$36,274,326	4.2%
	2015-16	\$36,952,647	1.9%
	2016-17	\$37,497,469	1.5%
	2017-18	\$37,255,453	-0.6%
	2018-19	\$42,398,043	13.8%
	2019-20	\$40,372,225	-4.8%
	2020-21	\$46,257,033	14.6%
	2021-22*	\$49,451,733	6.9%
	2022-23**	\$51,040,133	3.2%

* Projected through end of Fiscal Year (Provided by HdL)

** Projected

Attachment B

Measure A Program of Projects Development Schedule FY 2022/23 Cycle

Action	Date
<p>Review of Draft Revenue Estimates SBCAG provides the Technical Transportation Advisory Committee with a draft five-year estimate of the Measure A revenues for comment.</p>	November 4
<p>Presentation of Draft Revenue Estimates to SBCAG Board of Directors</p>	November 18
<p>SBCAG approves Measure A Revenue Estimates for FY 22/23</p>	December 16
<p>POP Submittal Date Local agencies and SBMTD Service Agencies submit a five-year program of projects to SBCAG. The project listing should be prepared and adopted consistent with the Measure A Ordinance.</p>	February 28, 2022
<p>Review of POPs SBCAG staff reviews local programs of projects and seeks modifications as necessary. SBCAG staff also develops the Draft Measure A Program of Projects for review in May.</p>	March 2022
<p>Draft Measure A POP is presented to TTAC and SBCAG Board</p>	April 2022
<p>SBCAG Board Approval of POP SBCAG Board approves Local and Authority Program of Projects and allocation of Measure A funds for FY 22/23.</p>	May 19, 2022

